

## Def. Response

7/26/2014

**BECKLEY CPA NOTES ON MR ALEX BITTNER (AB)****MEETING NOTES 20120110 | 8:00 AM | WITH AB | BY JAB | RE: 2011 TAXES/REPATRIATED EARNINGS**

Alex Bittner had moved to the US in early 80s and had gained citizenship. 21 years ago he moved back to his native Romania. In August 2011 he moved back to the US and had not filed any tax returns in the interim period. In moving back to the US he has started a new company that will purchase residential real estate and hold for rental purposes. He has several questions which are as follows:

1. Will Romanian corporate distributions be taxable in the US. (Most Likely- Will Research)
2. Are there any issues with not filing a tax return for 21 years while he was living and earning in Romania?
3. Are there any FBAR requirements?
4. What will his 2011 tax return look like? He will have some gain on property sold including primary residence. Where they sold to unrelated party?
5. What are the tax implication of company land sold for 800k (with tax basis of \$100k)?
6. What are the tax implication of primary residence sold for (1.2M (with tax basis of \$800k)?
7. How will the Romanian tax treaty with US affect his tax situation?
8. What are the regulations for private lending to low-income home purchasers?

Also, US company is setup as a NV LLC (holding company) for real estate investments. Company will also set up a Texas series of LLCs for operating property management and will be responsible for collecting all rents.

**DROP OFF: 20120110 | RCD JAB | DELIV AB | RE: Client Intake Form**

Alex Bittner dropped off: Client Intake Form 1pg. LOC: In client's folder on the Y drive

**PHONE IN: 20120208 | 8:49AM | ~2MIN | RCD SLG | FROM AB | RE: Setting appointment date/time**

Alex Bittner called and asked if he was scheduled for 9:30 this morning. I told him we had him for tomorrow afternoon. He said he had been corresponding with AMF but his internet went out so he didn't finish setting up his appointment. I set him up for tomorrow morning.

**PHONE OUT: 20120209 | 08:10 AM ~20 MINS | CALL TO IRS | RE: US TAXPAYERS LIVING ABROAD**

Called IRS and spoke to Miss Williams (id #1000557792) regarding US taxpayers living abroad. According rep, all taxpayers are required to report all worldwide income annually (see publication 54). Taxpayers are eligible for foreign income exclusion and foreign income tax credit. Tax treaty has no impact. Taxpayers who are seriously delinquent filing returns should submit at least last 6 years. Taxpayers are also required to file an annually TDF 90-22.1 (FBAR) to report their account balances in foreign bank and financial accounts. Also called the US Treasury department (866-270-0733) to discuss FBAR reporting requirements. The rep I spoke with indicated that a taxpayer who is seriously delinquent with FBAR filings should start by filing last six years reports (currently starting with 2005). The 2011 report is due June 30, 2012. Also might want to look into the OVDI (Offshore Voluntary Disclosure initiative for further information).

**DROP OFF: 20120209 | RCD JAB | DELIV AB | RE: Signed LOE, 11Inc Tax Organizer**

Alex Bittner delivered: 11Inc tax organizer, signed LOE ~15pp. LOC: On way to be scanned.

**MEETING NOTES: 20120209 9:00 AM | MEETING WITH AB | BY JAB | RE: TAX RESOLUTION**

Met with Alex Bittner to discuss recommendations for tax prep and filing. Explained to Mr. Bittner That all worldwide income must be reported. Recommended to Mr. Bittner that he seek legal counsel to consider the impact of the Romanian tax treaty and to draft a letter explaining his delinquent tax returns and FBAR filings. He indicated that he would and he has engaged tax specialists Wall & Associates in Tennessee (Contact Mark Yates). I also recommended that he file last six years of income tax return and six years of Reports of Foreign Bank and Financial Accounts (FBAR). Mr. Bittner insisted that he wished to file all prior year tax returns (from 1990 through 2010) and all prior year FBAR reports (From 1990 through 2011) despite my recommendation. I further explained to Mr. Bittner that filing all prior tax returns prior to 2006 could extend the IRS statute of limitations for audit and collections. Mr. Bittner still insisted on moving forward with preparing and filing all prior year returns back to 1990.

We prepared letters of engagement (LOEs) for all prior year tax returns and FBARs. Signed copies of LOEs are on file. Verbally explained the scope of the engagement that "it is the client's responsibility to gather, organize, and ensure accuracy of information and completeness of information", "that we will use the information without verifying it, auditing it, or attempting to adjust it to reflect Generally Accepted Accounting Principles", and "client understands and agrees that client has final responsibility for the tax returns."

**MEETING NOTES: 20120223 1:00 PM | MEETING WITH AB | BY JAB | RE: TAX RESOLUTION**

Met with Alex Bittner to discuss aspects of Romanian tax treaty and implications on tax resolution. Treaty appears to absolve client of any tax liability for the income earned in Romania. Still need clarification. I will seek input from a subject matter expert (see notes from call to Larry Brown). Reports will still need to be filed with the IRS. I also determined that the client may not be allowed foreign income exclusion since returns were not timely filed.